

LUMP-SUM PAYMENT: EXAMPLES

This exhibit contains examples of how to discharge state-owed arrears when “matching” a non-custodial parent’s (NCP’s) arrears payment, as described in Subsection 4.4 of Section 6.51, “Arrears Management,” of the *Michigan IV-D Child Support Manual*.

The Michigan Child Support Enforcement System (MiCSES) will route the NCP’s payment through the non-federal tax refund offset (FTRO) distribution process, as described in the examples below. The Friend of the Court (FOC) worker will then discharge the NCP’s arrears. FOC staff need not apportion the discharge of arrears the same way the payment is distributed (Ref: Example 9).

Example 1:

NCP pays 50 percent, majority of arrears owed to state, family formerly on assistance, no current support owed:

Arrears owed to the family:	\$2,000
Arrears owed to the state:	3,000
Total arrears owed:	\$5,000

The NCP pays 50 percent of his/her total arrears owed, or \$2,500. MiCSES applies \$2,000 of that payment to the family’s arrears, and the remaining \$500 to state-owed arrears. This leaves a zero balance owed to the family and \$2,500 owed to the state. FOC staff will “match” the payment by discharging the \$2,500 owed to the state, and the NCP’s remaining balance is zero.

Example 2:

NCP pays 50 percent, majority of arrears owed to family, family formerly on assistance, current support of \$150 owed:

Arrears owed to the family:	\$3,000
Arrears owed to the state:	2,000
Total arrears owed:	\$5,000

The NCP pays 50 percent of his/her total arrears owed, or \$2,500. MiCSES applies \$150 to current support and the remaining \$2,350 to the family’s arrears. FOC staff are able to discharge only \$2,000 because that is all that is owed to the state. The NCP’s remaining balance is \$650 owed to the family and zero owed to the state.

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Example 3:

NCP pays less than 50 percent, majority of arrears owed to state, family formerly on assistance, no current support owed:

Arrears owed to the family:	\$1,500
Arrears owed to the state:	5,000
Total arrears owed:	\$6,500

The NCP makes a payment of \$2,000. MiCSES applies \$1,500 to family-owned arrears, and the remaining \$500 to state-owned arrears. FOC staff will “match” the payment and discharge \$2,000 from state-owned arrears, leaving \$2,500 owed to the state.

Example 4:

NCP pays less than 50 percent, majority of arrears owed to the family, family formerly on assistance, no current support owed:

Arrears owed to the family:	\$15,000
Arrears owed to the state:	10,000
Total arrears owed:	\$25,000

The NCP makes a payment of \$2,000. MiCSES applies the entire payment to family-owned arrears, which results in a balance of \$13,000 owed to the family. FOC staff will “match” the payment and discharge \$2,000 in state-owned arrears, leaving a balance of \$8,000 owed to the state.

Example 5:

NCP pays less than 50 percent, majority of arrears owed to state, family currently receiving assistance, current support obligation of \$100 charging:

Arrears owed to the family:	\$1,500
Arrears owed to the state:	5,000
Total arrears owed:	\$6,500

The NCP makes a payment of \$2,000. MiCSES applies \$100 to current support and the remaining \$1,900 to state-owned arrears. FOC staff will “match” the payment and discharge \$2,000 in state-owned arrears, leaving the NCP with a balance of \$1,500 owed to the family and \$1,100 owed to the state.

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Example 6:

NCP owes state and other arrears, pays 50 percent, family formerly on assistance, no current support owed:

Arrears owed to family:	\$0
Arrears owed to state:	5,000
Arrears owed to MDCH (MEDI):	250
County-owned fees:	250
Total arrears owed:	\$5,500

The NCP pays \$2,750, which MiCSES applies to the state-owned arrears. FOC staff discharge \$2,250 (remaining state-owned arrearage). The NCP owes \$500 for Medicaid (MEDI) arrears and county-owned fees.

Note: MEDI arrears and county-owned fees are not considered state-owned arrears for the purposes of arrears management strategies outlined in Section 6.51, “Arrears Management.”

Example 7:

NCP pays 50 percent, arrears owed to family, state, and other; multiple IV-D cases, family formerly on assistance, no current support owed:

IV-D Case A, arrears owed to family:	\$3,000
IV-D Case A, arrears owed to state:	13,500
IV-D Case A, county-owned fees:	500
IV-D Case B, arrears owed to county-funded foster care:	500
IV-D Case C, arrears owed to another state:	500
Total arrears owed:	\$18,000

The NCP pays \$9,000 (50 percent of the total arrearage). Family-owned arrears, county-funded foster care, and arrears owed to another state all have equal priority, so MiCSES applies the payment there first (\$4,000 total). MiCSES then applies the remaining \$5,000 to state-owned arrears on IV-D Case A, leaving a balance of \$8,500 owed to the state. FOC staff discharge the \$8,500 and the NCP still owes a balance of \$500 for county-owned fees.

Note: County-owned fees are not considered state-owned arrears for the purposes of arrears management strategies outlined in Section 6.51, “Arrears Management.”

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Example 8:

NCP pays 50 percent, multiple IV-D cases, families formerly on assistance, no current support owed:

IV-D Case A, arrears owed to family:	\$2,000
IV-D Case A, arrears owed to state:	500
IV-D Case B, arrears owed to family:	1,000
IV-D Case B, arrears owed to state:	10,000
Total arrears owed:	\$13,500

The NCP pays \$6,750 (50 percent of the total arrearage). MiCSES applies \$2,000 to the family on IV-D Case A and \$1,000 to the family on IV-D Case B. MiCSES then applies \$187.50 to state-owed arrears on IV-D Case A and \$3,562.50 to state-owed arrears on IV-D Case B (Case A accounts for 5 percent of the total amount owed, so it receives 5 percent of the payment; Case B accounts for 95 percent of the total amount owed, so it receives 95 percent of the payment). FOC staff “match” the payment and discharge state-owed arrears in the amount of \$312.50 on IV-D Case A and \$6,437 on IV-D Case B. The NCP’s arrearages are paid in full.

Example 9:

NCP has more than one IV-D case associated to the docket, pays less than 50 percent, families formerly on assistance, no current support owed:

IV-D Case A, arrears owed to family:	\$2,000
IV-D Case A, arrears owed to state:	500
IV-D Case B, arrears owed to family:	1,000
IV-D Case B, arrears owed to state:	9,500
Total arrears owed:	\$13,000

The NCP pays \$4,000. MiCSES applies \$2,000 to the family on IV-D Case A and \$1,000 to the family on IV-D Case B. Of the remaining \$1,000, MiCSES applies \$50 to state-owed arrears on IV-D Case A and \$950 to state-owed arrears on IV-D Case B (Case A accounts for 5 percent of the total amount owed, so it receives 5 percent of the payment; Case B accounts for 95 percent of the total amount owed, so it receives 95 percent of the payment). The new balances owed to the state are \$450 on IV-D Case A and \$8,550 on IV-D Case B.

FOC staff will then “match” the payment and discharge \$4,000 in state-owed debt. FOC staff need not apportion the discharge of arrears the same way the payment is distributed; in this case, FOC staff may choose to discharge \$450 on IV-D Case A and \$3,550 on IV-D Case B.